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**No. 19**



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# CHINA REPORT

## ECONOMIC AFFAIRS

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## ECONOMIC PLANNING

### THEORY ON DISTRIBUTION ACCORDING TO WORK DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 79  
pp 6-13

[Article by Yu Guangyuan [0060 0342 6678]: "Several Questions on Studying in Depth the Theory of Distribution According to Work"\*)]

[Text] Almost 1 year has passed since the conclusion of the third symposium on the theory of distribution according to work. In this year, following the gradual unfolding of the third battle to expose and criticize the "gang of four," a series of new victories have been scored on the theoretical and ideological front. In particular, the realm of philosophy has brought forth the question of practice as the only criterion for examining the truth, which invited extensive discussion and produced great influence. The question has become one of popular concern. The reason, very simply, is because the whole nation is rendering service to accelerating the four modernizations. Whether or not we should realize the four modernizations is really a central issue in the struggle between Marxism and anti-Marxism after the basic completion of the socialist transformation of the ownership of the means of production. Since 1956, the revolution has already developed to the historical stage of building our country into a powerful modern socialist country. We should catch up with and surpass the world's advanced level and realize the four modernizations. However, the class enemies vehemently opposed us. By 1976, the "gang of four" went so far as to say such nonsense as "the day when the four modernizations are realized will be the hour when capitalism is restored." This shows the extent of madness of the class enemies in opposing the four modernizations. The smashing of the "gang of four" has created the prerequisite for accelerating the realization of the four modernizations. Our nation has entered a new historical period, in which we are called upon to build our country into a powerful modern socialist country before the end of the century. To accelerate the realization of the four modernizations, many new problems await being discussed and we must not remain on previous inferences. The basic point of Mao Zedong Thought is to integrate the universal principle of Marxism with the concrete practice of the Chinese revolution. The concrete practice of the Chinese revolution now is the acceleration of the four modernizations. In accordance

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\*These are excerpts of the author's speech at the fourth symposium on the theory of distribution according to work held on 25 October 1978.

with the basic point of Mao Zedong Thought, our theoretical circle must integrate Marxism-Leninism-Mao Zedong Thought with the acceleration of the realization of the four modernizations in our study and discussion of new problems so as to render service to accelerating the realization of the four modernizations. This is the watershed between whether or not we should take Marxism-Leninism-Mao Zedong Thought as our guiding ideology. Without solving this question of guiding ideology, it is impossible to accelerate the realization of the four modernizations. It is precisely under such a circumstance that the discussion in the realm of philosophy on the question of practice as the only criterion for examining the truth has won such major attention. The discussion among the legal circles on the question of giving prominence to socialist democracy and strengthening the socialist legal system is also launched under the same circumstance.

In this year, great achievements have also been scored in the area of economics. A year ago, we primarily discussed the question of distribution according to work, the question of the relationship between politics and the economy, the question of restoring the reputation of the "theory of productive forces" (productive force is the decisive factor in social development--this is one of the basic topics of historical materialism) and so forth. These discussions played major roles in men's ideology and work. In this year, we have discussed even more problems and discussed them in a more systematic manner. For instance, from the discussion on the question of distribution according to work, we have already moved on to the question of the form of payment for labor, the question of the principle of material gains and the question of how rural people's communes should implement distribution according to work. We have also discussed the question of importing foreign advanced technology and utilizing foreign investment and the question of technology and economy, etc. In regard to the question of agricultural economy and the question of economic management, very lively discussions were held, too. Vice Chairman Deng was extremely concerned about these two questions, so we should study these questions properly.

The launching of the research work in economics is inseparable from the Party Central Committee's particular attention to the economic problems and its proposal on the reformation of the system of management. At the National Finance and Trade Conference on Learning from Daqing and Dazhai, comrade Hua Guofeng talked about the question of studying, grasping and applying economic laws in order to improve our economic management, and asked that we grasp this work very tightly. We must respond to the call of the Party Central Committee, do a good job of organizing the forces in the economics circle and study the actual economic problems. Since the present questions in respect to economic research have been raised to the high plane of grasping and applying objective economic laws and of accelerating the realization of the four modernizations, then the discussions held by our economic circle cannot be confined to the few questions on distribution according to work, but should deal with many other questions. In the future, we must organize symposiums and research meetings on other topics, as we did on the questions on distribution according to work.

Even today, the discussion on the questions on distribution according to work still embraces important significance. We must subdivide it into special topics and carry on research and discussion. We must conduct theoretical discussions thoroughly over these questions. It appears that, till this day, we cannot say we have solved the questions on the theory of distribution according to work. Many problems remain unclear and further discussions are necessary. However, the topic of research now should develop and advance along with the development of our ideology and along with the questions put forth in our actual economic work.

At this meeting, four questions have been put forth for discussion: The first is the question on the law of distribution according to work. The second is the question on the relationship between the principle of distribution according to work and the principle of material gains, which involves whether or not we should link distribution according to work with the quality of enterprise management and, if we should, how. The third is the question on how to implement the forms of payment for labor, particularly awards and piece wages, in the distribution according to work. The fourth is the question on the implementation of distribution according to work in the rural areas. Some of these questions have been discussed before. But we still need to take one step further in our discussion. Even after doing so, we still cannot clarify everything at this symposium; we still need to continue with our research after the symposium and conduct still further research at the next, which will be the fifth symposium on distribution according to work.

Distribution according to work is a question of particular concern for the Party Central Committee. We know that the Party Central Committee decided last year that we must implement distribution according to work, and established "two priorities" and "two subsidiaries," meaning the policy of combining moral encouragement with material reward, with stress on the former, and reckoning time wage with rewards. After this, the Party Central Committee continued to emphasize the necessity to implement distribution according to work. This is because, in some places, great effects have been obtained through the implementation of distribution according to work, while in other places, production was greatly affected by the failure to implement distribution according to work. Comrade Huo Guofeng has mentioned on many occasions how at one time it made no difference whether one did something or nothing, did it well or poorly and did a lot or a little. All of us are extremely dissatisfied with a situation when the "gang of four" were in power, a period in which doing something was worse than doing nothing and not doing anything was worse than making trouble. After the shattering of the "gang of four," we hoped that the work of implementing distribution according to work would progress more rapidly. But over the past year or so, progress has been rather slow. On this point, many comrades have had complaints. I also feel that this should be a question that merits attention.

In the past few years, as a result of the interference and sabotage by Lin Biao and the "gang of four," many theoretical problems that had been solved earlier by Marxism-Leninism-Mao Zedong Thought were messed up. Until

this day, many cadres still embrace a great deal of muddled ideas about such questions as the question on distribution according to work and the question on the material gains of the working people. The work of implementing distribution according to work over the past year or so has not progressed rapidly enough. I believe this is not unrelated to the fact that some comrades have not been able to thoroughly emancipate their thinking from the bond of fake Marxism of the "gang of four." We cannot delay the question of implementing distribution according to work any longer. This therefore asks that we conduct further discussion on the theoretical aspect of distribution according to work so that, in the work of economic management in the future, we can pay fuller attention to the economic limits and economic benefits of an enterprise and fully implement distribution according to work; and that we will unswervingly and clear-headedly implement in agriculture the principles of management of quota, more pay for more work and more reward for more contributions.

Below, I would like to express my views on the first three questions put forth in this symposium as reference for all to discuss.

The question of whether or not distribution according to work is an objective law. Law refers to an objective necessity independent of man's will. Some people will say: Is it not so that distribution according to work was not implemented during the years when the "gang of four" were in power? Obviously, distribution according to work is not necessarily an objective law. It is true that, in those few years, under the influence of the "gang of four," a popular erroneous standpoint was to engage more or less in socialist construction, as though one did not necessarily have to implement distribution according to work and furthermore did not have to fully implement distribution according to work. I think that the question of whether or not distribution according to work is an objective law can be answered in this way: Law is definitely independent of man's will; in other words, only that which is independent of man's will is regarded as law. Is distribution according to work an objective law independent of man's will? I believe it is. This is because: Under the socialist system, if we implement distribution according to work, and of course if we also have other factors and do other work (such as planning work) well, then we can definitely promote socialist production and consolidate and develop the socialist system. If we do not implement distribution according to work, then this factor alone will definitely cause socialist production to drop and will definitely not be able to consolidate and develop the socialist system. This is truly independent of man's will. Therefore, distribution according to work is truly a law.

The process of development of society and social production is not the same as certain processes of nature's development that are independent of man's will. The earth revolves around the sun and this process is not affected by man's will. But social process is affected by man's will. This is because, here, men with a purpose and determination perform activities in society, and these men create history. Still, there exists an objective law independent of man's will.



Take distribution according to work for instance. In developing socialist production, we must implement distribution according to work. After acquiring this understanding and after raising this understanding, men will consciously implement distribution according to work and obtain results in the development of socialist production. Also, perhaps for certain reasons, we are simply unable to raise some of our understanding, or are kept in fetters by certain forces of habit and old thinking, and are therefore unable to implement properly distribution according to work, the result of which affects the development of socialist production. In this case, man's will can play a role. The role of an individual's will in actual life may be big or small. In our society, the role played by "the will of the officer" is comparatively greater. If I am in charge of this affair, then I have the authority in handling this problem, and accordingly my will plays a bigger role; if I am one of the common people, then as an individual, my will plays a smaller role. But, whatever your will is, it will not play an effective role in what I expressed above about distribution according to work being an objective law independent of man's will. In my talk in March, I said that the role played by this law could be manifested in three circumstances. The first circumstance was the people who were engaged in socialist construction. Their purpose was to develop socialist production and consolidate and develop the socialist system. They adopted the method of implementing distribution according to work. As a result, they managed to promote socialist production and consolidate and develop the socialist system. They achieved their anticipated aim. The second circumstance was the enemies of socialism. Like the "gang of four," their purpose was to undermine socialist production and undermine the socialist system. They adopted the method of opposing distribution according to work and of slandering distribution according to work. As a result, they succeeded in undermining socialist production and undermining the socialist system. They too achieved their aim. The third circumstance was again the people who were engaged in socialist construction. Their purpose was to build socialism and develop socialist production. But their thinking was not on the right track. They simply did not like distribution according to work; they did not want to implement it or did not properly implement it. As a result, socialist production dropped and the socialist system failed to be consolidated. The people's awareness was not raised, and they did not achieve their aim. Under all these three circumstances, the law of distribution according to work proved to be effective. In the first circumstance, by implementing distribution according to work, production went up. In the second and third circumstances, in spite of different standpoints and purposes, yet, by not implementing distribution according to work, production dropped as a result. We can see that, no matter how man acts and what he wills, the law of distribution according to work plays its role all the same. It is truly independent of man's will and is effective at all times in the economic life of the socialist society.

Practice is the only criterion for examining the truth. If we examine the abovesaid judgement through practice, do we find it to be correct? We should say that it is. The history of the past, in particular this period of history when the "gang of four" were running rampant, proves that the

abovementioned understanding conforms to objective reality and keeps to the objective law. Does not our practice today also prove that such a judgement is correct? Equally proved. Many of our units have implemented distribution according to work together with other factors and have promoted production; also, many other units have not properly implemented distribution according to work, whereby production has been affected. Thus, the above understanding has been examined through previous practice as well as through practice today. We trust that practice in the future will also prove that this understanding is correct. We can say that if we do not implement distribution according to work over an extended period of time, then the socialist system cannot continue to exist. Distribution according to work is determined by the nature of socialism. This is the first question, so I hope that all of us will study and find out whether or not distribution according to work is indeed an objective law. How should we describe this law? Also, we must prove why there is such a law.

The second question is the question on the principle of material gains. The PEOPLE'S DAILY special commentator wrote an article entitled "How Does a Marxist View Material Gains?" The article introduced and analyzed some of the classical discussions on this question. During the period when the "gang of four" were running rampant, this term material gains was taboo and the mention of it meant revisionism. When you talked about material, they would say that you were using material to oppose the spirit and oppose putting politics in command. Big labels would come flying at you. In fact, a Marxist is a materialist. In analyzing social problems, a Marxist follows the principle of historical materialism. Historical materialism holds that, men must first be able to survive and be able to solve the problems of food, clothing and shelter before they can talk about other activities. In order to survive, they must carry out production. In the production process, men enter into relations with production, which form the basis of all other social relations. Such production relations are the relations of material gains. Every class struggle stems from the contradiction in material gains among different classes. Our Communist Party seeks material gains for the proletariat and the entire rank of working people.

The principle of distribution according to work is a content belonging to the principle of material gains. Under the socialist system, the so-called principle of material gains means to relate and integrate socialist production with the material gains of the individual, the collective, the localities, the departments and the enterprises. Distribution according to work is just such a form of integration. The more you work, the more you contribute to social production and the more income you will get; thus, it belongs to the question of material gains. Material gains include the material gains of the individual, but it is not the same as the material gains of the individual. The material gains of the individual includes the principle of distribution according to work but again is not the same as the principle of distribution according to work. The realm of the former is larger.

In socialist production, we must bring several factors of enthusiasm into play. In the past, we only talked about the two factors of enthusiasm of the Party Central Committee and the localities. Now, we can see that

simply bringing these two factors of enthusiasm into play is insufficient, for there are the enthusiasm of the enterprise (including agricultural enterprises) and the enthusiasm of the individual. To launch socialist production well, we must have these four factors of enthusiasm. In the enthusiasm of the Party Central Committee and the localities lies a question of material gains. How are we to distribute the incomes of the Party Central Committee and the localities? This is a question which is more popularly discussed by all of us.

If a locality, for instance a province, obtains a little more money, then is it the material gains of the secretary of the provincial party committee or of the chairman of the provincial revolutionary committee? No. With this extra money, the locality can bring its socialist enthusiasm into fuller play. There must be a condition and a material basis for bringing enthusiasm into play. A locality may want to set up a trade or an enterprise. But how can it if it does not have money? Thus, this is not the material gains of an individual. Money is not the only problem in distribution. Material is also a problem in distribution. For instance, how much percentage of the steel produced by the Anshan Iron and Steel Company can be controlled by Liaoning? If this is not material gains, then what is it? However, this is not the material gains of an individual, but is the material gains of a province.

Some material gains of the individual are not obtained in accordance with the principle of distribution according to work. For instance, the material gains obtained in the form of relief is not in accordance with the principle of distribution according to work. Or again, for instance, the nonproductive workers also take part in distribution and obtain material gains, but the material gains are not obtained through distribution according to work.

The integration of material gains with production has an important bearing on bringing all kinds of enthusiasm into play. Distribution according to work is related to the question of bringing into play the enthusiasm of every productive worker. The relations between the Party Central Committee and the locality involve the question of how to bring the enthusiasm of both the Party Central Committee and the locality into play, and the relations between the state and the enterprise involve the question of how to bring the enthusiasm of both the state and the enterprise into play. Bringing the enthusiasm of all sides into play is the most fundamental guarantee for the high-speed development of the socialist economy and is the crucial question as to whether or not socialist construction can be promoted. However, to give prominence to the enthusiasm on all sides, we must implement the principle of material gains. In the so-called management of the economy through economic measures, the core problem is the problem of material gains. Economic measure means the measure of material gains. We say that good and poor enterprise administrations are not the same thing and profit and loss are not the same thing. Why not? This is because they are not the same in terms of material gains. For instance, good enterprise administration can bring about a definite share of the profit, a portion of which can be used as collective welfare and individual rewards for staffers and workers



and another portion of which can be used for expanding the reproduction of the enterprise. Poor enterprise administration will not obtain any share of the profit. Or for instance, we can link the wages of the leading cadres and the entire rank of staffers and workers of an enterprise directly with the good or poor quality of the enterprise's administration. The difference in the quality of enterprise administration will result in the difference in the material gains. This method is truly effective in improving enterprise administration. In the past, we did not talk sufficiently about the question of an enterprise's enthusiasm. Now, we need to do a good job of launching study in this respect.

We must make a study to find out whether, in an enterprise of ownership by the whole people, workers of the same rank doing the same jobs should receive different wages. In the past we said: The characteristic of the system of ownership by the whole people was that the people working in the economy of ownership by the whole people could get the same wages for the same type of work. Now it seems that payment for labor should also be linked up with the quality of enterprise administration. This involves what is called the system of ownership by the whole people. We must study the concept of the system of ownership by the whole people.

Let us now talk about the contract system. In implementing the contract system, if we do not punish the unit or individual for breaking a contract, then what is the meaning of the contract system? The contract system must be integrated with material gains. In the contract, we must specify the economic responsibilities of both sides. Whichever side violates the contract will suffer punishment economically and will be fined. All disputes will be handled by the court. This calls for an economic legislation and an economic law court. Inside the socialist legislation, a large portion should belong to economic legislation. At present, our work in this respect is done very poorly. We do not have people's commune law, factory law and agrarian law. We once had an agrarian reform law, but the agrarian reform had long been completed and therefore the agrarian reform law had also become a historical document. Now we only have some rules concerning the agrarian problem, but we do not have formally-established laws. Sometimes we need to build a house in some place. But simply because one household is reluctant to move, a public undertaking is thereby greatly affected. We must have a law that stipulates that the state should shoulder certain responsibilities according to the law, you should move or would be regarded as violating the law. We also do not have a law for protecting the grasslands. Anyone can drive haphazardly on the grasslands and destroy them carelessly. Our country has several billion mu of grasslands, which form a very massive wealth. In the future we shall rely primarily on the grasslands for feeding the cattle and sheep which will provide us with meat. Now, our grasslands are deteriorating very seriously. Still we do not have a law protecting the grasslands. Also, we do not have a forest law to protect our forests. Without a forest law, it is impossible to develop our country's forestry well. We also do not have a seed law in agricultural production. There are many points to be said about economic legislation, so I will not cite them one by one. We must have a contract law. If we are to practice the

the contract system, then how can we do without a contract law? The core of a contract law is to take material gains into consideration; economic responsibilities must be shouldered and the profits and losses of an enterprise must be linked with the material gains of an individual. Only in this way can we truly bring the role of a contract into play. Without a contract, the state cannot possibly have any real plans and cannot properly implement its plans. Plans should be combined with contracts in a proper manner. Not only should a contract be drawn up between one enterprise and another, but a contract should be drawn up between the state and the enterprise also. If an enterprise suffers losses from reasons incurred by the state, then the state should shoulder the responsibility and should make reparations accordingly. Only by employing this method of using material gains and economic measures in managing the economy can we do our work well.

We already touched on the question of the principle of material gains at the third symposium on distribution according to work last year. Over the year, our understanding of this question has been greatly raised. It involves all the aspects in our economic management. This question should be studied in a proper manner theoretically.

The third question is the question of payment for labor, in particular the question of the form of payment for labor, awards and piece wages. As for the forms of payment for labor, we are all quite familiar with those terms. But we are not too clear about what the scientific circle says about them. Some comrades who have spent a long time doing the work of handling labor wages and engaging in the study of political economy do not have a clear concept. Some teachers also show the lack of a clear concept when they are lecturing in class. Thus, we must study the question of concept. This concept of payment means: When I render labor to you, you will give me payment. If, instead of implementing the system of state ownership, we let the laborers manage their own affairs directly and let the laborers distribute their own income directly, then, whether or not the concept of payment for labor exists is truly a question. I believe that at this present stage our country can cherish this concept of payment of labor. This is because, though the system of state ownership exists in our country, there is still the distinction between the state and the individual. Thus, I think it is in conformity with objective reality for us to use this concept of payment for labor here.

How we should talk about wages is also a question that needs to be studied clearly. Wage is a form of payment for labor. Awards and allowances are also forms of payment for labor. In studying how to implement distribution according to work, we must clarify the implications and literal meanings of these forms. Why should we have so many forms? Can we resort merely to wages? Can we do without awards? These questions must be studied. All forms of payment for labor are useful in their own ways in the implementation of distribution according to work, particularly in the implementation to the full of distribution according to work. We must study the reasons as to why they can play different roles. Then, according to their roles, we will consider what is the best method to implement distribution according to work.

There is one kind of allowance that does not belong to distribution according to work but belongs to material gains, and that is allowance based on seniority, which is reckoned according to the years of service. This is not distribution according to the amount of work, but can play the role of stabilizing the staffers and workers on their specific work posts and reducing the mobility in work, and so on and so forth.

Up till now, in employing the form of wages, some people are still uneasy in varying degrees about piece wages and awards. Many people somehow feel that such a thing will bring about problems. For instance, the wide gap between the high and the low! Or capitalism! Or the tendency to be calculating! In fact, the Party Central Committee has long made it clear that we could go in for piece wages. Time wages and piece wages are forms belonging to payment for labor. In our actual life, how often have we practiced piece wages totally? We practiced it in some areas once in the '50s. Now, it seems we practice very little of it. For instance, in the building construction field, total piece wages were implemented in the '50s. Prior to the cultural revolution, some localities also implemented total piece wages in the felling of trees in the forests. Now, where do we implement total piece wages? We do not know. Responsible persons of some forestry zones hold that it is better to implement total piece wages in the forestry zones.

The piece wage which we are talking about now is actually reward by the piece. After one has fulfilled the production tasks for which one is paid the basic wages, one is given rewards for the amount of extra work which one does. Does reward by the piece belong to the realm of rewards or to the realm of piece wages? We can carry out study accordingly. Some comrades hold that it belongs to the realm of rewards. I believe so too. The method of rewards is to render reward by the piece, not to reckon work totally according to piece wages.

Awards include comprehensive awards and single-item awards. But then, should we take comprehensive awards or single-item awards as the key? Although this question is more concrete, we theoretical workers still should carry out study, for it also involves theoretical questions in political economy.

There is still another question, and that is the amount of awards, and whether or not we should link it up with the total wages. For instance, awards can only constitute under 20 or 30 percent of the total standard wages. What do we think about such a method of considering a problem? Theoretically, this is indeed a little problematic. If we link awards with the total standard wages, then the following situation will appear: In an enterprise, because of the rise in labor productivity, the output may remain unchanged while the number of personnel may be reduced by half. This is an amazing achievement. But after the number of staffers and workers is reduced by half, the total standard wages will also be reduced by half and so will the total amount of awards. It goes without saying that the number of people sharing the awards will also be reduced by half. From the angle of awards, nothing has changed while the labor productivity is doubled for nothing. If we adopt such a method, how will it favor the reduction

of personnel? How will it favor the rise in labor productivity? Is not this obviously unreasonable? Also, if we fix the number of workers, fix the total wages and fix the percentage for the total amount of awards in the total wages, then, mathematically, this will be a constant. But man's enthusiasm and man's labor condition are changing. For instance, in a certain enterprise, according to the criteria of award evaluation, many people should be awarded. But because the total amount of awards is fixed, two situations may appear: The first situation is that the number of people who can be awarded is limited, so that among the people who deserve the awards only some people who have done the best work can be awarded, while others cannot be awarded. The second situation is that all those people who deserve to be awarded will be awarded, but that the amount of awards everyone gets is very small. Under these two circumstances, the phenomenon of everyone grasping for this total amount of awards will appear. This not only is unfavorable to the unity among the laborers, but is also unfavorable to raising the enthusiasm of the laborers, for it will embarrass those people who have won the awards through active labor, because they feel that they have snatched the awards from others. That is why some units simply let the workers receive awards in turns or distribute awards evenly. There are some workers who, after receiving awards, feel so embarrassed that they quickly treat others to dinners and spend the awards. I think this method of linking the total amount of awards with the total wages is incorrect. In this are many questions in economics.

For instance, to what realm do the total wages belong? The total wages are linked with the planned economy. Why does the state have to control the total wages? It is for the purpose of balancing the supply of consumer goods and the income of the residents. Ordinarily, when we consider the limit of the quota of awards, in order that the total standard wages plus the total amount of awards and allowances balance the total amount of consumer goods, we may cherish a thinking that if we do not control the total amount of awards, a state of imbalance will occur. To consider the question in this manner is certainly plausible in a way. But can we not consider this question by another method? That is to say, laying aside the standard wages, if we do not link the quantity of awards with production, then once we give out more awards, we will not have corresponding consumer goods for others to purchase, and the market supply will become tense. However, if we insist on such a principle that whenever we give out an award this award itself always represents an increase in production, and the quantity of awards is much smaller than the quantity of production increase. Under such a circumstance, when I give out 1 dollar's award, I can have, say, 5 dollars' more of materials. When the power of purchase of the staffers and workers increases, the commodity supply to the market also increases and the commodities, by comparison, increase more rapidly. Having such an award, do we need to restrict it? To restrict such an award implies restricting production increase. I think it is not necessary to restrict it. For instance, we give out 10 yuan of awards for economizing coal but economize 100 yuan of coal. What then do we have to fear? Of course, there is one question: What people produce is not all means of consumption, and a large portion is means of production. For instance, if what I economize



is not coal but is iron and steel, then what should I do, since iron and steel are means of production and cannot be eaten or put on like clothes? A portion of the means of production can be changed into means of livelihood. For instance, a portion of iron and steel can be used for building houses and for making stoves, pans, hair pins and razor blades and so on. Also, the production of the means of production is in the final analysis for the purpose of producing the means of consumption. Even the iron and steel that are used for producing machinery are finally used for producing things to be eaten or clothes to be worn. Of course, there is a distinction between what is direct and what is indirect. There is the question of producing what cannot be directly used as food or clothing. Even if we are producing consumer goods that are directly used as food and clothing, there still is the question of whether or not we are geared toward the correct varieties, designs or needs of the people. Thus, in defining the proportionate relationship between awards and the things produced, we must take this situation into consideration. Award cannot occupy too high a percentage in the value of a product. At the same time, we must readjust without delay the proportionate relationship among the various production departments on the basis of the changes in the situation and actively organize the balance between production and necessity. However, as long as we control the proportionate relationship and distribute awards on the basis of this proportionate relationship, then to give out more awards will mean that more individual consumer goods are being produced. In this way, there is no need to restrict awards.

Thus, in distribution according to work, in determining wages and in determining the amount of awards, we only need to grasp one secret, and that is to link them up with production. Then we will not fear that workers will receive more pay for their work or receive more awards than they deserve. The good point about award is that it is flexible. More awards mean more production. If you do not produce or economize 100 yuan of coal, you cannot receive 10 yuan of awards. If we do not link awards up with production, then we run the risk of bringing about imbalance. If we link them up with production, then what is bad about the workers obtaining more wages? Thus, in talking about the question of balance in the discussion of distribution according to work, we say that if we carry out planned economy, we must carry out balance. But how should we look at balance? What is active? What is passive? We must carry out study accordingly. The above discussion on the question of the balance between consumer goods and wages and awards is an example.

Again, take for instance the question of balance between workers and peasants. One viewpoint is that if the wages of the workers are higher than the income of the peasants, then it is not good since the gap between the income of the workers and that of the peasants will be widened. I do not agree with this viewpoint. I believe that in several respects we cannot say that the peasants oppose the raise in the workers' wages. Peasants who have consciousness will not look at this question in this manner. The workers and peasants are like brothers. Why will the peasants fear that the workers will have a good life? If the workers have a better life, the peasants

should welcome that. This is one point. Another point is, many peasants and workers are relatives. In one family, if the woman carries out labor in the countryside and the man works in the city and earns more wages, will his wife oppose that? The third point is, when the workers' life has been improved, there is prerequisite for the increase in the prices of agricultural products. Once the workers' wages are high, the prices of agricultural products will be solved easily.

Of course, I am not saying that simply giving more wages is considered distribution according to work. Distribution according to work must be linked with production. The purpose of distribution according to work is to raise production. The key to distribution according to work is how to properly integrate production with distribution. Theoretically, production determines distribution. Without producing something, what have we got to distribute? Without production, what can you consume? Thus, distribution must not go too fast. We must make people realize that our country is still a poor and backward one. First of all, we must develop production in a big way. On the basis of developing production, we will gradually improve the people's livelihood. We should not do it too rapidly or impatiently. Also, when production is not developed in a big way, to be impatient does not help. But there is an ideological question in the realm of theory that must be solved, and that is, can distribution play a role in production? Should we not pay attention to this reactionary role? How should we make distribution play the role it ought to play? Similarly, we must carry out study in order to find out whether consumption has a reaction on production and whether or not we should attach importance to the question of consumption. In the past, we did not attach enough importance to these questions. In particular, we did very little study on consumption. In the past, the newspapers and journals rarely published articles on the reactionary role of consumption to production. Now is the time for putting emphasis on acting in accordance with objective economic laws. We must carry out all-round study on the question of how production determines distribution and consumption and how distribution and consumption counteract production.

Today we must do a good job of studying and researching on the question of the basic socialist economic law. The basic socialist economic law says that we must develop production on the basis of a high technology and satisfy the needs of society's members in their daily growing material and cultural lives. The purpose of our production is to satisfy needs. If we forget this purpose, we will walk onto the road of production for production's sake and production for the sake of consumption. We will bring about great losses to socialist production and will not be able to raise the people's livelihood. I have looked up comrades of some factories, counties and communes, and have invited them to introduce to us the achievements in the work of their counties, communes and factories in the past few years. Often they would tell us how much their total output and unit output was, and how much their total industrial output value was. But they would almost refrain from talking about raising the level of the people's livelihood. What is the purpose of our production? Is it for these figures

themselves? Certainly not. When we develop production, we are doing so for the ultimate purpose of raising the level of people's livelihood. Only this is meaningful. Let's say we have such a commune or county, and it is located in the north of the Yellow River and has fulfilled the target of surpassing the per-mu output in areas north of the Yellow River and north of the Yangtse River. Yet, it has done poorly in promoting industrial crops, its cost of grain too is high, and the level of its people's livelihood has not been raised. Figures like these can be published in newspapers and propagated. But what use are they to the actual livelihood of the people? We should pay attention to this question.

There is another view which holds that if we are to increase production, we must reduce consumption and increase accumulation. But can we not anticipate an increase in products also if we attach importance to consumption and do a good job of organizing consumption? In this way, not only will accumulation not be reduced; conversely, it will increase because production has increased. We must recognize that man plays a decisive role in the productive forces and man is a precious piece of wealth. When you raise his political thinking, improve his working and living conditions, and raise his enthusiasm, you can raise the productive forces also. If the urban service work is done properly, and when the working conditions are improved, the productive forces will be raised. If, over an extended period, we do not improve consumption and improve livelihood, can we raise our efficiency in work? If the house is more roomy, the workers, when they return home, can ponder over the question of how to launch technological reforms and the intellectuals can read more books and make good preparations for advancing toward science and technology. In principle, improving the living conditions can in turn raise production.

We can see that in studying the question of labor wages, the question of the forms of payment for labor and the question of the quantity of payment for labor, we must have a positive and balanced viewpoint. It is extremely important that we study the theoretical questions in order to launch practical work well. Our action needs theoretical guidance. Without a revolutionary theory, we do not have a revolutionary action. This is speaking in an overall manner. Let us look at a theoretical question for instance; if we do not clarify the theoretical aspect of the question, then the practical work will also be affected. We must study the questions clearly before we can implement distribution according to work well. This is of important significance to accelerating the socialist construction of the four modernizations.

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## ECONOMIC PLANNING

### CONCEPT OF 'SCISSORS' DIFFERENTIAL ANALYZED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 79 pp 63-65

[Article by Jia Kecheng [6328 0344 6134] and Zhang Yueqing [1728 6468 1987]: "On the Scissors Differential"]

[Text] In the report on the work of the government delivered at the Fifth National People's Congress, comrade Hua Guofeng pointed out: "We must study in earnest the price parities between industrial and agricultural products." Whether or not the price parities between industrial and agricultural products are reasonable is often determined by whether or not the scissors differential exists in the price parities between industrial and agricultural products. Thus, in studying the question of price parities between industrial and agricultural products, we should first study the question of the scissors differential.

Concerning the question of what the scissors differential is, concerned books in our country offer very different interpretations. The dictionary "Ci Hai" says: "The scissors differential and the counter scissors differential" are "the shapes on a chart reflecting the two different trends in the "price parities between industrial and agricultural commodities."'<sup>1</sup> The book "A Glossary of Terms Used in Political Economy" compiled by the political science group of the Central-South Mining and Metallurgical Institute says: "The scissors differential refers to a trend of development in the changes in the price parities in the exchange between industrial and agricultural products."<sup>2</sup> "A Glossary of Political Economy Terminology," edited by Xu He [1776 4421], says: "The scissors differential is the short term for 'price disparity in the shape of scissors,'"<sup>3</sup> and so forth. We feel that these definitions only describe the superficial phenomenon of the scissors differential, and do not reflect the essence of the scissors differential. Thus, as regards the question of what the scissors differential is, we must hold further discussions.

As regards the definition for the scissors differential, "Ci Hai" and the glossary of terminology compiled by the Central-South Mining and Metallurgical Institute only describe it as a chart in the shape of scissors which represents the trend of price parities, and fail to point out the essence

and meaning of such a trend of price parities. The trend manifesting the price parities between industrial and agricultural products is a vague concept. There are different trends in the price parities between industrial and agricultural commodities and the scissors differential only reflects the trend in the price parities in unequal exchanges. Also, we cannot understand the scissors differential simply as the trend of development in the changes in price parities. This is because, if we assume that price parities between industrial and agricultural commodities are unchanging, then does it mean that the scissors differential therefore does not exist? Certainly not. We feel that, even if price parities in the exchange between industrial and agricultural commodities do not change, the scissors differential will still be formed as a result of the change in the values of the industrial and agricultural commodities. This is because the trend of the changes in price parities between industrial and agricultural commodities only reflects the condition of changes in proportion between their prices. Price is the phenomenological representation of value and price and value may not always be the same. Thus, the change in prices does not necessarily express the change in values. Conversely, when the value has changed, the price may still remain unchanged. Thus, it is not accurate enough to understand the scissors differential simply as the trend of development in the changes in price parities. It is also problematic to interpret the scissors differential as the "short term for price disparity in the shape of scissors." The term "price disparity" has too vague an implication. This is because there are various forms of price disparity. Of course, the price disparity which comrade Xu Gu here refers to is the disparity between the sales price of industrial products and the procurement price of agricultural products. But then, such price disparity itself is not necessarily the scissors differential. For instance, the procurement price for 1 jin of wheat is 0.15 yuan, and the sales price for 1 foot of white cloth is 0.3 yuan. There is a difference between these two prices, but such a difference is not necessarily the scissors differential. Only after we have analyzed and studied the relationship between these two prices and their respective values can we show whether or not there is the scissors differential. Furthermore, assuming that the values of the industrial and agricultural commodities do not change, then, through analyzing and studying the conditions of change in their price parities, we can find out whether there is the scissors differential.

The chart of the scissors differential which we often mention is drawn up by adopting the indexes of price parities. Let us assume that within a certain period, the prices of industrial products rise more rapidly than the prices of agricultural products and, as a result, the price index of the industrial products is larger than that of the agricultural products. Take 100 as the price index of 1936. Then, compared to 1936, the assumed price index of industrial products in 1950 is 200 percent and the price index of agricultural products is 143 percent. If we divide the price index of industrial products by the price index of agricultural products, the quotient (which is the index of price parities in the exchange of industrial products for agricultural products) is 140 percent, which is more

than 100 percent. To represent this with a line, the line will be a rising one. If we divide the price index of agricultural products with the price index of industrial products, the quotient (which is the index of the price parities in the exchange of agricultural products for industrial products) is 72 percent, which is less than 100 percent. If this is represented by a line, the line will be a dropping one. Thus, in terms of the chart itself, the scissors differential refers to the two lines on the chart--one rising and one falling, forming the shape of open scissors. However, these two lines themselves are drawn according to the indexes of price parities between industrial and agricultural commodities and are not drawn from specific prices. This chart vividly tells us that the quantity in the exchange of industrial products for agricultural products is increased, while the quantity in the exchange of agricultural products for industrial products is reduced. To be sure, the change of such indexes of price parities is caused by the change in the prices of industrial and agricultural commodities, but the index of price parities itself is not the price. Thus, it is not altogether appropriate to say that the scissors differential is the price disparity in the shape of scissors.

In order to accurately understand the concept of the scissors differential, we should comprehend in depth what specific content the revolutionary teachers were referring to when they used this concept of the scissors differential. This concept of the scissors differential has been used by comrade Stalin and comrade Mao Zedong in their works. Comrade Stalin said: "Besides paying regular taxes, which include direct and indirect taxes, the peasants have to pay another surplus tax to the state, which is to pay a little more in purchasing industrial products and to obtain a little less in selling agricultural products." "Such a surplus tax which the peasants are paying actually exists. Is this not a fact? Yes, this is a fact. What else do we call it? We also call it the 'scissors differential.'"<sup>4</sup> In "On the Ten Major Relationships," comrade Mao Zedong also pointed out: "In the exchange of industrial and agricultural products we follow a policy of narrowing the price scissors, a policy of exchanging equal or roughly equal values."<sup>5</sup> The narrowing of the scissors differential is for the purpose of implementing exchange of equal values. What comrade Mao Zedong says here is the same in meaning as what Stalin says about the scissors differential, that they both imply the exchange of unequal values. Furthermore, as early as 1927, in talking about the exploitation of the peasants by the twonspeople, comrade Mao Zedong once said: "Manufactured goods are extremely dear and agricultural products are extremely cheap."<sup>6</sup> This is a popular and yet accurate summary of the exchange of unequal values between industrial and agricultural commodities in the old China.

In view of the above situation, we hold that the scissors differential is a concept that embraces a specially designated implication. It is employed for the purpose of explaining the economic relations in the exchange of unequal values between industrial and agricultural commodities. Thus, we can give the definition of the scissors differential in the following manner: The scissors differential is the scissors-shape difference in the price parities between industrial and agricultural commodities in the

exchange of unequal values. The price parities between industrial and agricultural commodities are representations of the comparative rate of their values; and the scissors differential is only a chart in the shape of scissors representing the price parities between industrial and agricultural products in the exchange of unequal values. There are many causes for the emergence of price parities in the exchange of unequal values. Let us assume that the values of industrial and agricultural commodities are unchanging and the exchange of values of a base period is equal. Because of the changes in the prices of the industrial and agricultural commodities, the scissors differential will appear. If the prices for the agricultural products remain unchanged while the prices for the industrial products rise; or, if the prices for the industrial products remain unchanged while the prices for the agricultural products rise; or, if the prices for both the industrial and agricultural commodities rise simultaneously, while the scale of the increase of the prices for industrial commodities is larger than that of the agricultural commodities; or, if the prices for industrial and agricultural commodities drop simultaneously, while the scale of the drop in the prices for agricultural commodities is larger than that for the industrial commodities, then all these situations will bring about the scissors differential. In addition, let us assume that the prices are unchanging and the exchange of the prices of a base period is equal. Because of the change in the values of the industrial and agricultural commodities, the scissors differential too will appear. If the value of the agricultural products remains unchanged, then, because of the rise in industrial labor productivity, the value of the industrial commodities will drop; or, if the values for both the industrial and agricultural commodities drop at the same time, but if the scale of the drop in the value of the industrial commodities is larger than that of the agricultural products, then, the scissors differential will also appear. In short, what the scissors differential reflects is the exchange of unequal values between industrial and agricultural commodities. This is really the essence of the scissors differential.

We need also to point out that, under different socialist systems, the scissors differential manifests its nature differently. Prior to the liberation, what the scissors differential reflects is the exploitation and plunder of foreign imperialists and domestic bourgeoisie against the broad masses of peasants in our country through the exchange of unequal values between industrial and agricultural commodities; and reflects the antagonistic relationship between industry and agriculture and the city and the countryside. Under the socialist system, with the establishment of the system of public ownership of the means of production, what this realm of the scissors differential reflects is no longer the exploitation and the antagonistic relationship between industry and agriculture and between the city and the countryside. Rather, it is as Stalin put it, the price disparity can be regarded as a "surplus tax" which the peasants render to the state of the dictatorship of the proletariat which represents their fundamental interests. Like other tax revenues in the state of the dictatorship of the proletariat, this tax which is obtained from the people is also spent on the people. Stalin pointed out: "No matter how, we must maintain the swift



development of industry, because this not only is necessary for industry itself, but is first of all necessary for agriculture and the peasants. What the peasants need most now are tractors, agricultural machinery and fertilizer."<sup>7</sup> This means that, under the socialist condition, though what the scissors differential reflects is as yet a relationship of exchange of unequal values, yet, compared to the situation in the capitalist society and to the old China, its nature has already undergone fundamental changes.

In the early days of the liberation, the scissors differential which existed in the exchange of industrial and agricultural commodities in our country was left behind from history. Statistics show that the price parities between industrial and agricultural commodities in 1950, compared to those prior to the War of Resistance against Japan (1930-1936), expanded by 31.8 percent. Although the nature of such scissors differential has undergone fundamental changes since the liberation, yet its existence still reflects the fact of the exchange of unequal values between industrial and agricultural commodities. Since the nation's founding, in order to consolidate the dictatorship of the proletariat, consolidate the worker-peasant alliance and develop industrial and agricultural production, we have adopted the "policy of narrowing price scissors, a policy of exchanging equal or roughly equal values." The state has launched many readjustments to the price parities in the exchange of industrial and agricultural commodities, continuously raised the procurement prices of agricultural products, lowered the sales prices of the industrial products for the countryside, and implemented support-agriculture discount prices for certain industrial products such as farm-use diesel oil and electricity, and so forth. Compared to 1950, the procurement prices of agricultural products increased by 100 percent in 1977, while the retail prices of industrial products supplied to the countryside increased by less than 10 percent. Compared to 1952, the procurement prices of agricultural products increased by 68.8 percent while the retail prices of industrial products supplied to the countryside dropped by 0.5 percent. Among them, the sales price for agricultural means of production dropped by 7.6 percent. This greatly narrowed the scissors differential left behind by the old society. With the narrowing of the scissors differential, the peasants are enabled to obtain more economic gains. If compared to 1952, in 1977, the peasants could exchange 70 percent of the industrial products with the same quantity of agricultural products. Judged by the peasants throughout the country, in 1952, a peasant could trade 100 jin of grain for 20.9 feet of white cloth, and in 1977, for 37 feet; and the peasants in the remote areas could trade for twice as much as they did before.

Statistics show that, since the liberation, because of the swift recovery and development of industrial and agricultural production and as a result of a series of measures which the state adopted for readjusting the price parities between industrial and agricultural products, the scissors differential left over by this period of history from the War of Resistance against Japan to the early days of the liberation no longer existed by 1958. This was a major achievement which we had attained. However, we must not therefore believe that the scissors differential left over by history has disappeared. More than that, we must not believe that the scissors differential no longer exists between industrial and agricultural products.

This is because the scissors differential existed in the price parities in the exchange between industrial and agricultural products in the base period prior to the war. Also, in view of the situation of the rise of industrial and agricultural labor productivity in our country since the liberation, the industrial labor productivity increased by 150 percent from 1952 to 1977, while agricultural labor productivity increased by 50 percent only. Thus, the drop of the value of industrial products was greater than that of agricultural products. This again might form a new scissors differential. So, the scissors differential not only exists between the industrial and agricultural products in our country at present, but is not so narrow too. As to the cause of the existence of this scissors differential and how to explain it in a better way theoretically, further study remains to be carried out in the future.

#### FOOTNOTES

1. "Ci Hai," Vol 3, Ci Hai Editing Department of Zhonghua Bookstore, 1961, p 196.
2. "A Glossary of Terms Used in Political Economy," printed in 1957 by the Miluo County Printing Factory of Hunan, p 318.
3. Xu He, et al., eds., "A Glossary of Political Economy Terminology," People's Publishing House, 1974, p 161.
4. Stalin, "The Problems of Lenin," People's Publishing House, 1964, p 282.
5. "On the Ten Major Relationships," "Selected Works of Mao Zedong," Vol 5, p 274.
6. Report on an Investigation of the Peasant Movement in Hunan," "Selected Works of Mao Zedong," Vol 1, p 38.
7. Stalin, "The Problems of Lenin," People's Publishing House, 1964, p 282.

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## ECONOMIC PLANNING

### QUESTION OF PRICE PARITIES REVIEWED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 79 pp 60-62

[Article by Zuo Mu [0146 3668]: "How Should We Analyze the Question of Price Parities Between Industrial and Agricultural Products?"]

[Text] The question of prices plays a part in thousands upon thousands of families. Since the liberation, relying on the superiority of the socialist system, we prevented the vicious inflation in the old China and narrowed the scissors differential between industrial and agricultural products which was left over by the old society. Our work in prices has enhanced the development of the national economy and improved the people's livelihood, and has scored extremely great achievements. However, in the past decade or more, as a result of the sabotage by Lin Biao and the "gang of four" against the national economy, the progress of narrowing the scissors differential was slow, the sales prices of industrial products tended to be too high and the procurement prices of agricultural products tended to be too low. The Party Central Committee headed by comrade Hua Guofeng has already made the decision to gradually readjust the price parities between industrial and agricultural products; on the basis of lowering cost, lower the sales prices of industrial products, especially those products in support of agriculture, and at the same time appropriately raise the procurement prices of agricultural products. This important policy decision embodies the tremendous concern which the Party Central Committee shows to the broad masses of people, especially to the masses of peasants. This is of important significance to mobilizing the socialist enthusiasm of the broad masses, to enhancing the high-speed development of our country's national economy and to accelerating the realization of the four modernizations. Now I would like to express some opinions, in particular in connection with the several theoretical and cognitive questions concerning the rational readjustment of the price parities between industrial and agricultural products.

#### I. Formulation

As a habit, in discussing the price parities between industrial and agricultural products, we often give the question a general designation of "the question of the scissors differential." This designation is reasonable



since both deal with the question of the prices of industrial and agricultural products. But to weigh them more carefully, price parities and scissors differential are not altogether the same thing. The two are related to and at the same time distinct from each other. The scissors differential is the short term for "price difference in the shape of scissors." It reflects the trend of the price relationship and price development between industrial and agricultural products under a certain historical condition. Because value determines price, the expansion of the scissors differential under the present condition therefore implies that the prices of industrial and agricultural products have deviated to a greater extent from their values, and that price parities have become even more unreasonable. However, because the magnitude of value of industrial and agricultural products continues to change, the narrowing of the scissors differential does not necessarily signify the narrowing of the exchange of unequal values between industrial and agricultural products. It may narrow (if the margin of the narrowing of the scissors differential is as large as the margin of which the drop in the value of industrial products surpasses the drop in the value of agricultural products) or it may expand (if the margin of the narrowing of the scissors differential is insufficient in compensating the margin of which the drop in the value of industrial products surpasses the drop in the value of agricultural products). Thus, we should not totally mix the question of the price parities between industrial and agricultural products with the question of the scissors differential. In analyzing the question of the prices of industrial and agricultural products in our country, due to some confusion in concept, some comrades do not believe that questions still exist in the aspect of price parities when they see that the scissors differential is narrowing. However, other comrades suspect whether the scissors differential has narrowed when the question of price parities has become more prominent. Both these views are incorrect. In order not to allow the confusion in concept to foster a confusion in understanding, I propose that we distinguish the question of "the scissors differential" from the question of price parities. We should not say: "In the light of actual conditions, the scissors differential in the prices between the industrial and agricultural products not only has not narrowed but has expanded," or "superficially, the scissors differential has narrowed, but actually it has widened." We should say: "In these years, although the scissors differential is narrowing, the phenomenon in which the prices of industrial and agricultural products have deviated from their values has become more prominent than before, and the exchange of unequal values in price parities has even widened."

## II. How to analyze price parities?

We understand that, in the investigation of typical cases in some places, very different conclusions are often drawn because the methods of analysis are not unanimous. We believe that the only correct method is to fix the magnitude of social value of the industrial and agricultural products and use this as the basis for analyzing the extent of which price deviates from value. For instance, to calculate according to the current price, we can take the industrial labor force of a district as a model and from there

obtain the average new value created by a labor force in a year (average wage plus average tax revenue and profit furnished by each person). Then, comparing this with the new value created by an agricultural labor force in a year, we can draw the conclusion that an agricultural product is sold at a price lower than its own value. We should pay attention to the fact that the complexity of industrial labor is generally higher than that of agricultural labor. We can restore the complex industrial labor to simple labor. For instance, we can calculate one industrial labor force as equivalent to two agricultural labor forces. For example, in 1977, in a certain locality, the average new value created by each labor force in the industrial departments of the system of ownership by the whole people was 18 times that created by each agricultural labor force of that locality. If we calculate one industrial labor force as two labor forces, the ratio will be  $2:18=1:9=0.11$ . This way, an agricultural product in actual fact is sold at a price much lower than its value.

The method of comparing the magnitude of value strictly observes the Marxist theory of labor value. Marx pointed out: "When the value of the agricultural product is higher than its average price, then agriculture should sell its product according to the value of the product, and not according to its average price...In terms of an industrial product, the agricultural product only asks to be sold according to its value."<sup>1</sup> An important distinction lies here, that while the industrial product is sold according to its average price, the agricultural product asks to be sold according to its value. This distinction reflects the objective demand of the law of value, a demand which also exists in the socialist period. However, we must explain this point a little further.

Under the socialist condition, the basis of the demand of an agricultural product to be sold according to its value is not altogether identical with that of the capitalist society. But its reason is more sufficient and more easily understood by men. Since the production of grain and agricultural subsidiary products by the state is absolutely necessary and irreplaceable, the labor that participates in the production of marketable grain and other agricultural subsidiary commodities is therefore the necessary labor in society. Thus, we should recognize the fact that it is also necessary to compensate the agricultural labor consumption of those areas where the cost of unit products is highest.

### III. On whether price parities are reasonable or unreasonable.

Through comparing the magnitude of value of agricultural products, we strive to clarify the situation in which price deviates from value. But at the same time, we must make clear that the reasonable relationship established in the price parities between industrial and agricultural products which we ask for is not an "absolute equal value." In real life, absolute equal value does not exist. "The exchange of equivalents in commodity exchange exists only on the average and not in the individual case."<sup>2</sup> It is so in the exchange between industrial and agricultural products in the socialist period. Chairman Mao once clearly pointed out that we should implement the

policy of narrowing the scissors differential, a policy of exchange of equal or roughly equal values. The exchange of equal values is reasonable. The exchange of roughly equal values is also reasonable. In the past as well as now, we have employed this tool of prices to concentrate a portion of the agricultural accumulation on the hands of the state. Through prices, the broad ranks of peasants offered a portion of financial income to the state and rendered great contributions to socialist construction. This is the pride of the peasants of our country. In the future, we should continue to do so. That is to say, whether price parities are reasonable or not is only a relative concept. To what extent we can narrow unequal values depends, on the one hand, on the raising of agricultural labor productivity and, on the other hand, on the speed of the development of the national economy and the growth of the state's financial strength.

When we say that what is reasonable and what is unreasonable is only a relative concept, we certainly are not saying that anybody can haphazardly fix a price. Whoever formulates prices randomly and violates the objective laws in doing so should be punished. In order to narrow the scissors differential and to establish a relative and reasonable relationship in price parities, we should still study the major points of departure in reasonably readjusting the prices of industrial products. At the same time, we should also fix the lowest limit for the prices of agricultural products.

First of all, in stipulating the prices of industrial products, a very important point is that we must fix the social value of a product. For instance, in producing a 12-HP walking tractor, it costs some factories just over 1,000 yuan, while it costs other factories as much as 2,000 to 3,000 yuan. Under such a circumstance, we cannot fix the price of a walking tractor according to individual advanced enterprises and also cannot fix the price according to individual backward enterprises. Rather, we must fix the price according to the social value of the same category of products at home. If the price of the product of a backward enterprise is fixed according to the social value, then losses may be incurred in the sale of the product. However, if this product is urgently needed by society, then we should consider the implementation of financial subsidy. When the labor productivity of an industrial enterprise is raised and the cost lowered, then the price of its industrial product should be lowered. This not only can lighten the burden of the peasants and other consumers, but also can enhance the technological reform and raise the level of enterprise administration and management of the backward enterprises.

As regards agricultural products, their prices cannot be lower than their costs. Our understanding of this point is unanimous. However, our understanding is not unanimous as to how much higher should the prices of agricultural products be over their costs. We hold that we must make profits too in producing agricultural products. This kind of profit is not the same as what some comrades believe to be a random surcharge on the cost, but is rather a state of transformation of the value of surplus products created by the agricultural laborers. The agricultural production units should have certain profits; this is a demand of the law of value. How indeed should the rate of profit in agriculture be fixed? We believe that,

at present, there is a definite proportion between the accumulation fund and the public welfare fund for the rural people's commune in our country. This is a necessity in the expansion of reproduction and the improvement of collective welfare. Thus, it is reasonable to include the accumulation fund and the public welfare fund in the amount of profit.

In addition, should we include labor accumulation in the cost of agriculture? Presently, the amount of labor which some rural people's communes use on small-scale farmland and water conservancy projects every year generally constitutes around 10 percent of the total amount of labor of that year. These are all basically projects that will be of service in the same year, so it is entirely necessary to include this portion of labor spending in the annual cost of agricultural products. If we do not include this in the cost of agricultural products, then how are we supposed to compensate the peasants' labor spending? If we undermine the principle of compensation, then there is no way in which we can talk about exchange of equal values. In short, to fix reasonable prices for agricultural products, we must take the following few points as our basis: 1. The value of the means of production consumed in the process of production; 2. the live labor spending calculated according to payment for labor; this includes the labor spending in farmland capital construction which should be reckoned in the cost of the agricultural products of that year; 3. accumulation fund and public welfare fund; 4. agricultural tax. If the price of an agricultural product is lower than the sum total of the above parts, then it should be regarded as unreasonable. As to how much higher the price should be, it should depend on the financial strength of the state. Because at present the prices of agricultural products are much lower than their values, we therefore are not yet ready to discuss the question of fixing a "highest limit" for agricultural products.

IV. In a definite period, the exchange of unequal values between industrial and agricultural products embodies the tendency of spontaneous expansion. So we must conduct constant investigations and study and must not lower our guard.

We know that, in analyzing the problem of price parities between industrial and agricultural products, Marx proceeded from the changes in labor productivity. At the present stage, the labor productivity of the industrial departments is raised more rapidly and the cost is lowered more rapidly also. The labor productivity of the agricultural departments is raised slowly. At the same time, since more and more industrial departments in support of agriculture have indirectly joined in the process of agricultural production, the proportion of the expenses on industrial products in the cost of agricultural products gradually expanded. The higher the output of the high-yield fields, the greater the cost of the unit product. Not only is it difficult to reduce the cost of agricultural products, sometimes the cost will even increase. Under such a circumstance, when prices remain unchanged, the exchange of unequal values in the price parities between industrial and agricultural products will spontaneously expand. Now let us use a simple example to illustrate how, because the industrial labor productivity and



and the agricultural labor productivity rise at different speed, the exchange of unequal values spontaneously expands.

Let us assume that the value newly created by a labor force performing a labor with the same degree of complexity in 1 year will be:

contained in 100 units of an agricultural product in the agricultural department;

contained in 100 units of an industrial product in the industrial department.

Price: 100 units of an agricultural product can exchange for 100 units of an industrial product. Generally speaking, this is considered to be exchange of equal values.

Let us again assume that 5 years later, the agricultural labor productivity is doubled, while the industrial labor productivity is raised by three times. The situation will become thus--the value newly created by a labor force in 1 year will be:

contained in 200 units of an agricultural product in the agricultural department;

contained in 400 units of an industrial product in the industrial department.

At this point, if we still maintain the price parities of 5 years ago, that 100 units of an agricultural product can exchange for 100 units of an industrial product, then, 200 units of an agricultural product can only exchange for 200 units of an industrial product. That is to say, because the labor productivity of the agricultural department rises at a different speed from that of the industrial department, the labor of a peasant in 1 year can only exchange for the labor of a worker in half a year. What was originally exchange of equal values has in 5 years become exchange of unequal values.

This example explains how, simply because labor productivity rises at a different speed in different production departments, it has already plunged the values of the various products in a state of continuous change. Thus, we must consciously readjust the price parities between industrial and agricultural products after a period of time. Whether price parities are reasonable or not depends on their relative periods of occurrence. After a period of time, when conditions change, we must readjust the price parities between industrial and agricultural products.

Marx once predicted that after industry had developed to a certain stage, the imbalance in development between industry and agriculture would necessarily begin to narrow. That is to say, agricultural labor productivity would necessarily grow at a relatively faster rate than industrial labor productivity. This prediction of Marx will surely be realized in our country. However, as long as exchange of commodities still exists, we must carry out constant and meticulous investigations and study on the question of prices,

in particular the question of the price parities between industrial and agricultural products. We must carry out frequent supervision and inspection in the situation of the implementation of the price policy and must never be negligent.

#### FOOTNOTES

1. "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26, (\*\*), p 105.
2. Marx, "Critique of the Gotha Programme," "Selected Works of Marx and Engels," Vol 3, p 11.

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CSO: 4006

## GENERAL ECONOMIC INFORMATION

### SHIFT OF PARTY'S WORK FOCUS TO SOCIALIST CONSTRUCTION URGED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 79 pp 2-5

[Editorial: "Accomplish the Historical Shift of the Work Focus of the Entire Party in a Stable and All-round Manner"]

[Text] The Third Plenary Session of the Central Committee of the CCP 11th Congress decided that, as of this year, in accordance with the general line and task of the new period, we should shift the focus of the work of the whole party onto socialist modernized construction, mobilize the whole party, the whole army and the people of various nationalities throughout the country to work with one heart, go all out and spare no effort in striving to accelerate the socialist modernized construction of our country. This shift is extremely important. This is not a shift in a general character of the focus of the specific work of the party, but is a fundamental shift that embraces historical significance.

Since the founding of the nation, comrade Mao Zedong emphasized on many occasions the building of socialism as the central task. In 1953, he formulated the general line and general task of the period of transition, and integrated socialist transformation with socialist construction, with the aim of basically realizing the nation's industrialization within a considerably extended period. In 1956, he stipulated the policy of the 10 major relationships, pointing out that "we should mobilize all forces, whether direct or indirect, and strive to build China into a powerful socialist country."<sup>1</sup> In 1957, he systematically proposed drawing a distinction between the two types of contradictions--those between ourselves and the enemy and those among the people themselves, and correctly handled the problem of the contradictions among the people, so as to unite the people of various nationalities throughout the country to launch a new war--launch a new war on nature and build our country into a socialist country with a modernized industry, a modernized agriculture and a modernized science and culture. In 1958, he again stipulated the general line of building socialism in a greater, faster, better and more economic manner, and further pointed out clearly that "while continuing to accomplish the socialist revolution on the political front and the ideological front, we must put the focus of the party's work on the technological revolution."<sup>2</sup>



Under the leadership of comrade Mao Zedong, this shift has long begun in the practical work of our party and state. But, due to all sorts of objective and subjective reasons, and due to all sorts of interferences and sabotages, in particular the 10 years' sabotages by Lin Biao and the "gang of four," we have not been able all along to launch this shift in a stable, systematic and thorough manner. In the 30 years since the founding of the nation, we have spent less than half the time in launching socialist construction in a down-to-earth manner. Thus, we have not been able to realize the planned, sustained and high-speed development of socialist construction. Rather, we have suffered two major complications and standstills; one was the period of 3 years of temporary economic setbacks, and another one was the period in which Lin Biao and the "gang of four" were running rampant. They caused our country to remain till this day one of the economically and technological--backward nations in the world.

The aim of realizing modernization in agriculture, industry, national defense and science and technology in an all-round manner before the end of the century was first put forth by comrade Mao Zedong, and was solemnly announced by comrade Zhou Enlai on the Fourth and Fifth National People's Congress. The realization of the four modernizations is the behest of comrade Mao Zedong, comrade Zhou Enlai, comrade Zhu De and countless revolutionary martyrs, as well as the glorious ideal which billions of people dream about. Now we have overcome the sabotage of Lin Biao and the "gang of four," have basically checked up on those people and events that were associated with the counterrevolutionary conspiracies of Lin Biao and the "gang of four," and have basically clarified the rights and wrongs of major political and ideological problems which Lin Biao and the "gang of four" confused. Thus, we have created the conditions for accomplishing the basic shift in the focus of the party's work, entered a new period of development and begun our new Long March. What we mean by new is that we are accomplishing the shift of the focus of the party's work in a stable and all-round manner, and are employing modernized production technology and modernized managerial methods to guarantee the development of the national economy in a planned, sustained and high-speed way. Thus, the shift which the Third Plenary Session of the Central Committee of the CCP 11th Congress put forth will be an unprecedented basic shift in the history of our party which we will accomplish.

Comrade Mao Zedong pointed out long ago: "Class struggle, the struggle for production and scientific experiment are the three great revolutionary movements in the building of a powerful socialist country."<sup>3</sup> When we engage ourselves in class struggle, we are not carrying out struggle for struggle's sake. Our purpose is to build socialism and ultimately realize communism. If we deviate from the socialist economy and the communist economy, then it is out of the question for us to build socialism and realize communism. In the period of the democratic revolution, comrade Mao Zedong repeatedly emphasized the necessity to put economic work in important position. But during the period of the revolutionary wars, it was impossible to make economic work the primary work of the whole party. This can only be realized after we have seized political power throughout

the country and when we have basically completed the socialist transformation. The ultimate aim of all our revolutionary struggles is to emancipate and develop the productive forces, which means to develop socialist economic construction and, later on, communist economic construction, and to raise the standards of material and cultural living of all people. This has been the consistent stand of our party and the basic viewpoint of Marxism-Leninism. Engels once said: "Any class struggle that strives for emancipation is, though it necessarily embraces a political form (since all class struggles are political struggles), ultimately carried out around economic emancipation."<sup>4</sup> Comrade Mao Zedong also said once: "The impact, good or bad, great or small, of the policy and the practice of any Chinese political party upon the people depends on whether and how much it helps to develop their productive forces, and on whether it fetters or liberates these forces."<sup>5</sup> Not every class struggle is progressive. The objective criterion of whether it is progressive or not is whether or not it creates the conditions for emancipating and developing the productive forces. Marx says that the bourgeoisie long ago recognized the class struggle. His contribution is first of all to link up the class struggle with the definite historical stage of the production development and, through the dictatorship of the proletariat, attain the destruction of classes. Link up the class struggle with the removal of the obstacles for developing the productive forces and with the struggle to develop the productive forces--only this is a characteristic of the Marxist-Leninist viewpoint of the class struggle. The "gang of four" engaged themselves vehemently in sham leftism and real rightism, and nonsensically said that to engage in class struggle, one could permit production to drop, the factories to stop operation and the agricultural farms to grow nothing. Such a fallacy is extremely reactionary politically and anti-Marxist theoretically.

Politics is class struggle, and is the concentrated expression of the economy. The tasks of socialist politics are to consolidate the dictatorship of the proletariat and to develop the socialist economy. How should we comprehend what Lenin meant by "politics cannot but occupy the first place" and what comrade Mao Zedong meant by "politics is the command"? Without the proletarian political power and the party's correct line, we cannot build the socialist economy, and the political power and the party's line should safeguard the socialist economy and guarantee that the orientation of the development of the economy conforms to the interests of the laboring people. Thus, Lenin said: "Compared with politics, the economy cannot occupy the first place." In the same work, Lenin also said: "I hope that we engage less in politics and more in the economy for the past, the present and the future."<sup>6</sup> So, when we talk about politics occupying the first place, we only aim at guaranteeing that there will be no risks and errors politically and at creating conditions for engaging less in politics and more in the economy. With the victory of the civil war, Lenin put forth without delay: "The focus of struggle will gradually shift to the economic aspect of politics." "Our primary politics now should be: To engage ourselves in the nation's economic construction, to reap more grain, to supply more coal, to solve the problem of how to utilize this grain and coal more appropriately and to eliminate famine. This is our

politics." "If we try to comprehend politics from the old viewpoint, we may commit extremely serious errors."<sup>7</sup> This explains how politics occupying the first place is not equivalent to politics being the purpose. On the contrary, the economy is the purpose and politics is only the prerequisite and means.

Comrade Mao Zedong said: "The unity of politics and the economy and the unity of politics and technology--these are beyond doubt and will remain so year after year and always." He further said "Ideological work and political work are the guarantees for accomplishing the economic work and the technological work. They serve the economic base. Ideology and politics are also the commanders and the soul." What Comrade Mao Zedong means by politics being the commander is the same as what Lenin means by politics occupying the first place. There is absolutely no contradiction between command and service. The party can lead the people because it serves the people. Revolutions are the locomotives of history. The role of the locomotive is precisely to serve the passengers and goods on the train. Politics and the economy are inseparable. This is particularly so under the socialist condition. Since the proletarian state has to be responsible for the production and distribution of the means of production and means of livelihood of the people, then, if the party and the state do not put economic work in a primary position, then who is responsible for the labor and livelihood of the people? Divorcing itself from politics, the economy will definitely fall onto the evil path. Similarly, divorcing itself from the economy, politics will definitely fall onto the evil path. The so-called politics that divorces itself from the economy can only be a certain type of bourgeois politics or anti-proletarian politics. This has already been proved theoretically and practically. Lin Biao and the "gang of four" set politics in opposition to the economy, caused politics to divorce itself from the economy, opposed the economy and undermined the economy. They brought our country's national economy to the brink of collapse, brought our country's political system of the people's democracy to the brink of collapse, and brought the ties between our party and the masses of people, the democracy of the party and the unity of the party to the brink of collapse. This is out-and-out counterrevolutionary politics. Politics must command the economy but cannot place itself above the economy. Rather, it should penetrate the economy and serve the economy. Only when one agrees that politics is the concentrated expression of the economy and that proletarian politics must serve the development of the socialist economy is one a proletarian politician; otherwise, one is either a bourgeois politician or a politician of the landlord class.

Profound historical experiences teach us that, in the future, we must unswervingly take the struggle for production and the technological revolution as the center and cannot have others as the center. If in the future we do not resolutely regard socialist construction as the center, we cannot possibly fulfill the tasks of the four modernizations before the end of the century. We will be unworthy of the people throughout the country and the people all over the world, will be unworthy of our later generations and will be condemned by history.

To engage in the socialist modernized construction, we must have a situation of stability and unity. Will the class struggle at home undermine the situation of stability and unity and change this center of socialist construction? As long as we grasp the system of Mao Zedong Thought wholly and accurately, strictly act in accordance with the revolutionary line of Comrade Mao Zedong, we will not bring about a situation in which the class struggle at home will undermine stability and unity and change this center of socialist construction. Comrade Mao Zedong said in 1962 that we must correctly understand and handle the problems of class contradiction and class struggle and correctly distinguish between and handle the contradictions between ourselves and the enemy and the contradictions among the people themselves. In his article "On the Correct Handling of Contradictions Among the People," comrade Mao Zedong said that contradictions in a socialist society were fundamentally different from those in the capitalist society because the former could be solved one after another by the socialist system itself. The socialist system not only can handle correctly contradictions among the people themselves, but can also handle correctly contradictions between ourselves and the enemy. If we have done this, then, we can prevent and overcome interferences from the "left" and from the right. The class struggle at home will not be exaggerated until it completely violates reality and will not be used by the counterrevolutionary forces, to the extent of threatening the socialist system itself, of threatening the normal order in the party and state and of threatening the central position of socialist construction. We can then sit tight in the fishing boat despite the rising wind and waves. Only Lin Biao and the "gang of four" would engage in "stopping production to make revolution" and propagate the slogan "we will not carry out production for the erroneous line," which was as absurd as refusing to breathe for the erroneous line.

To accomplish the historical shift of the focus of the work of the entire party, we must study anew. On the eve of the nation's liberation, when the focus of the party's work shifted from the countryside to the city, comrade Mao Zedong admonished the comrades promptly: "The serious task of economic construction lies before us. We shall soon put aside some of the things we know well and be compelled to do things we don't know well." He further pointed out that "we must learn to do economic work from all who know how, no matter who they are."<sup>8</sup> What we are facing now is also the same situation. In 30 years, we have learned a little about economic construction. However, due to all kinds of interferences and sabotages, we were unable to learn in a sustained and penetrating manner. We are still extremely unfamiliar with the objective economic laws (including the basic socialist economic law, the law of planned and proportionate development of the national economy, the law of value, the law of distribution according to work, etc), with modern science and technology and with scientific economic management. We must actively respond to the call of comrade Hua Guofeng to study, study and again study, use our brains, spend great efforts, study Marxism-Leninism, study economics, learn production management and learn science and technology, including foreign advanced science and technology. Only by studying well can we adapt our thinking to the fundamental change in the focus of the party's work and to the reform of the method of economic management, can



we correctly analyze and solve the new situations, new problems and new contradictions that appear in the process of socialist modernized construction, and can we raise our ability in organizing modernized production and construction and accelerate the progress of realizing the four modernizations. Our circle of economics should join the people throughout the country in studying assiduously, deepening our investigations and study, developing the science of economics and rendering due contributions to the realization of the four modernizations.

The four modernizations are the objective demands of the law of the development of the socialist society in our country. Anything that conforms to the objective law of development must be realized. Under the leadership of the Party Central Committee headed by comrade Hua Guofeng, we will correctly handle the contradictions among the people themselves and the contradictions between ourselves and the enemy, develop the excellent situation of stability and unity, be good at studying, establish full confidence in accomplishing the great mission bestowed upon us by history, shift the national economy onto the basis of modernized technology, and develop the socialist economy in a planned, sustained and high-speed manner until the ultimate realization of communism.

#### FOOTNOTES

1. "On the Ten Major Relationships," "Selected Works of Mao Zedong," Vol 5, p 288.
2. Quoted from "Circular of the CCP Central Committee on Convening the National Science Conference," see PEOPLE'S DAILY, 23 Sep 1977.
3. Quoted from PEOPLE'S DAILY, 14 Jul 1964.
4. "Ludwig Feuerbach and the End of Classical German Philosophy," "Selected Works of Marx and Engels," Vol 4, p 247.
5. "On Coalition Government," "Selected Works of Mao Zedong," Vol 3, p 1082.
6. "Once Again on the Trade Unions, the Present Situation and the Mistakes of Trotsky and Bukarin," "Selected Works of Lenin," Vol 4, pp 441, 444.
7. "Speech at the All-Russia Conference of Political Education Bureaus of Provincial and County National Education Board," "Collected Works of Lenin," Vol 31, pp 337, 336.
8. "On the People's Democratic Dictatorship," "Selected Works of Mao Zedong," Vol 4, People's Publishing House (horizontal typeset edition), pp 1417-1418.

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## GENERAL ECONOMIC INFORMATION

### MATERIAL GAINS UNDER SOCIALIST SYSTEM DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 79  
pp 14-20

[Article by Wei Xinghua [5898 5281 5478]: "On the Relations of Material Gains Under the Socialist System"]

[Text] In any social production, the relations of materials inevitably occur in two aspects. One aspect is the relationship between man and nature, which is "the occupation of materials in nature out of the needs of mankind"<sup>1</sup> when men carry out labor in an effort to solve the problem of material means which mankind requires in order to survive. This is a relationship in which men obtain material gains from nature. In the production struggle, men continue to raise their productive forces. In the final analysis, they aim at obtaining more material gains. On the other hand, in production men inevitably enter into a relationship with production, which forms an economic relationship. Economic relationship is essentially a relationship of material gains among men. Engels points out: "The economic relationship of every society first manifests itself in the form of gains."<sup>2</sup> In a society where class antagonism does not exist, production relation is first of all a relation of material gains among the working people. This is a relation on the basis of unanimous fundamental gains. In a society in which class exploitation exists, production relation first manifests itself in a class relation, which is a relation of material gains among different classes. The exploiting class gratuitously occupies the surplus labor, surplus products and surplus values of the exploited class. All this is an invasion and injury of the material gains of the laborers. Thus the material gains between the exploiting class and the exploited class are basically antagonistic.

#### I

Under the socialist system, the relation between the private ownership of the means of production and the exploiting class has been eliminated. Hence, the material wealth which the working people create will no longer be gratuitously occupied by the exploiters, but will be enjoyed by the society and the laboring masses themselves. In this way, the broad ranks of laborers enter into an economic relation that has never existed before in history, that is new and that has unanimous fundamental gains. If we

in a society in which class exploitation exists, the unanimity of fundamental gains among the laboring people who are being exploited is constructed on the basis of a common deprivation of the means of production and suffering from exploitation, then, under the socialist system, the unanimity of fundamental gains of the laboring people is constructed on the basis of a common occupation of the means of production and social products and a common advance toward wealth along with the continuous development of production.

The socialist system calls for great attention to and concern over the material gains of the laboring masses, which include common overall gains and individual gains. This is determined by the socialist system itself and by the basic economic laws of socialism. The socialist system aims at eliminating the exploitation against the laborers and at protecting and continuously advancing the material gains of the laboring masses. And the basic economic laws of socialism determines the fact that the essence of socialist production is to guarantee the daily fulfillment of the material living needs of the laboring masses. The contents of the basic economic laws of socialism include the purpose of production and the means by which to attain the purpose. The means are determined by the purpose, thus purpose is all the more essential. The purpose of socialist production has been repeatedly enumerated in the works of the revolutionary teachers. Engels pointed out: Socialist production seeks to guarantee that every member of society has abundant and daily enriching material living and seeks to guarantee that every person finds increasing satisfaction with all the reasonable necessities.<sup>3</sup> Lenin also said: Socialist production must attain the aim of fully guaranteeing the welfare of all members of society and enabling them to develop in a free and all-round manner.<sup>4</sup> Summing up the socialist economic problem of the Soviet Union, Stalin put forth the fundamental economic laws of socialism, in which he also indicated that the purpose of socialist production was to guarantee the fulfillment to the greatest extent of the material and cultural needs for the constant growth of the entire society. Stalin pointed out: The purpose of socialist production is antagonistic to the purpose of capitalist production. The purpose of the latter is profit, while the purpose of the former is man and his needs.<sup>5</sup>

The purpose of socialist production embodies the essence and superiority of the socialist production relations, which at the same time embodies the essence and superiority of the socialist relations of material gains. Only by acting in accordance with the basic economic laws of socialism, realizing the purpose of socialist production and guaranteeing and developing the socialist relations of material gains can we consolidate and develop the socialist production relations. If we negate and tamper with the purpose of socialist production and negate and undermine the socialist relations of material gains, the socialist production relations will change their essence and gradually lose their socialist character.

The "gang of four" and their instruments of public opinion regard material gains as antagonistic things that are incompatible with socialism. Tao Wen-yuan said such nonsense as "revisionism emphasizes economic gains." Thus, whoever emphasized and attached importance to economic gains was engaged in revisionism. As a result, the question of material gains became a prohibited zone.

The "gang of four" confused the correct theory with the incorrect theory and the correct line with the incorrect line and confused people's thinking. As a result, some comrades did not dare talk about material gains and economic gains. They either dared not strive or were reluctant to strive continuously to improve the material living conditions of the masses and grasp conscientiously the welfare cause of the masses. They even showed no concern for the well-being and immediate interests of the masses. Till this day, some people still cherish lingering fear and poison. Even when they talk about material gains, these people only emphasize the common gains of the whole and talk little or nothing about individual material gains. Seemingly, only the common gains of the whole are considered socialism, and individual material gains are capitalism and revisionism. It seems that the mention of individual gains will draw forth "ghosts." This involves the questions of what is socialism and what is socialist relation of material gains.

The socialist system is built on the basis of the socialist production relations. And the most fundamental characteristic of the socialist production relations are: The relation of the system of public ownership of the means of production to the elimination of class exploitation; the formation of mutual aid and cooperation among the laboring people; the purpose of production as a guarantee for the increasing and sufficient satisfaction of the needs of society and the masses of people; and the implementation of the principle of distribution according to work in the distribution of individual consumer goods. In addition, the socialist production relations also include the relations of exchange and the relations of consumption. Let us ask the question, among all these aspects in the socialist production relations, is there one aspect that can be divorced from the relations of material gains? Also, which aspect of the relations of materials gains does not involve the common gains of the whole and at the same time involve individual gains? The relations of material gains under the socialist system is an objective existence which will not disappear because you do not talk about it or deny it. Not mentioning it or denying it will only necessarily result in reducing and injuring the material gains of the laboring masses.

Because socialism realizes the system of public ownership of the means of production (which includes the system of ownership by the whole people and the system of ownership by the collective) and because the public means of production are directly controlled and used by the various production units, it also means that the various production units have the authority over the possession and use of those means of production; that socialist production is concretely organized and launched by the various production units under the unified planing and guidance of the state; and that the use of the means of production and the fulfillment of a production plan are realized through the labor of every laborer. This way, the socialist relations of material gains necessarily manifest themselves in the relations of gains among the state, the production unit and the individual. Handling well the socialist economic relations is, fundamentally speaking, handling well the relations of material gains in these three aspects.



Under the socialist system, a fundamental antagonism does not exist in the economic gains among the state, the production unit and the individual. The laboring people are the mainstay of the state and the production unit; thus, both the gains of the state and the gains of the production unit are closely related to the gains of the laborer himself. The relationship of the three is none other than a relationship between common gains and individual gains and between long-term gains and immediate gains. They are unified and unanimous. But at the same time they contradict each other and are distinct from each other. We cannot separate the three and place them in absolute opposition against each other. But then we also cannot mix them together. We must not emphasize just one aspect and obliterate another.

It is entirely erroneous to talk about the concern for and enhancement of the individual material gains of the laborer under the socialist system in the same breath with bourgeois egoism. The bourgeoisie and its scholars hold that the nature of man is egoistic. Every man pursues individual gains. As a result, men serve one another and from that emerge common social gains. Individual gains rank above all else, and everything goes to serving individual gains. Egoism is regarded the axis of all social activities. The proletariat acknowledges individual gains and shows concern over and enhances the individual gains of the laborers. Here, it is no different from bourgeois egoism. But it takes as its prerequisite the guarantee of and obedience in common gains. The proletariat holds that the gains of social development, class gains and the common gains of the laboring masses are above individual gains. Thus, it opposes the egoistic thinking and action of merely pursuing individual gains even at the risk of injuring class gains and common gains. On the one hand, Marx affirms the fact that "all that men strive for is related to their gains." On the other hand, he opposes the drawing of an incorrect conclusion from this correct thesis: "That there are only 'small' gains and unchanging egoistic gains."<sup>6</sup>

But, in emphasizing class and common gains, the proletariat does not negate or exclude individual gains. It is only because, without first guaranteeing class and common gains, one cannot guarantee the gains of tens of thousands of individuals inside the class and collective. The former kind of gains is the collective manifestation of the latter kind of gains. If we negate and exclude individual gains, then the so-called class and common gains will come to nothing. Moreover, if we negate and exclude the individual gains of the laborers, then what more can we say about the socialist relations of material gains? What more can we say about socialist production relations?

If we talk about socialist production relations, then we have to talk about the socialist relations of material gains. And here we are essentially talking about how to act according to the spirit of socialism in correctly handling the relations of material gains among the state, the production unit and the individual. Since the state is a large-scale collective and the production unit is a small-scale collective, we can also generalize the relationship as one between collective gains and individual gains.

Chairman Mao once clearly said: "Opposition to selfish spontaneous tendencies toward capitalism and promotion of the spirit of socialism, which makes the principle of linking the collective and the individual interest the criterion for judging all words and deeds."<sup>7</sup> This unequivocally tells us: The "spirit of socialism" that is the criterion for all words and deeds is none other than the "principle of linking the collective and the individual interest." These spontaneous capitalist tendencies of ignoring collective gains and pursuing individual gains have deviated from the spirit of socialism and will bring harm to the socialist relations. Thus we must oppose them. However, if we only want collective gains and do not want or simply negate all individual gains, then, although we appear to be very "revolutionary," we are actually left in form but right in essence, which in turn will injure the consolidation and development of the collective gains and injure the development of the socialist production relations. The laboring masses will not be concerned about the consolidation and development of the "collective gains" that are divorced from individual gains or the "collective gains" that injure the individual gains of the laboring masses.

## II

To build and develop socialism, we must correctly handle the socialist relations of material gains and implement the socialist principle of material gains. For this, we must study the relations of material gains in the realm of distribution. This is because the relations in distribution represent in a concentrated manner the relations of gains among the state, the production unit and the individual.

The socialist principle of material gains was proposed by Stalin in accordance with the practice of the economic life in the Soviet Union after the October Revolution. The basic content of this principle was: Under the pretext of obedience of individual gains to the common collective gains, integrate the two properly. It was necessary to make the laborers show concern, on the basis of material gains, for the fruits of their own labor and that of the production units. Lenin attached great importance to the principle of material gains. He regarded it as the important principle for developing the socialist economy. In his article commemorating the fourth anniversary of the October Revolution, Lenin summed up the experiences and lessons of the past few years. He said: "We were excited by the tide of passion. First we kindled the popular political passion of the people. Then we kindled their military passion. We once planned to use this passion to directly realize the economic tasks which were as great as the general political tasks and military tasks...Life in reality showed us that we had erred."<sup>8</sup> This means that realizing socialist economic tasks is not the same as realizing political tasks and military tasks. We can rely directly on passion and do not need to rely on individual gains in realizing political tasks and military tasks. However, to build the socialist economy, we "do not rely directly on passion. Rather we draw support from the passion produced from the great revolution and rely on individual interest, rely on individual gains and rely on economic accounting,... Otherwise, you cannot attain the goal of communism. Otherwise, you cannot lead tens of millions of people to advance toward communism."<sup>9</sup> It was

precisely in accordance with real life and practice that Lenin revised previous assumptions and policies. In his report "The New Economic Policy and the Tasks of the Political Education Bureau," Lenin further pointed out clearly that, in order to implement "the principle of individual gains," "we must build all the large departments of the national economy with the concern for individual gains. We must carry out discussions together and appoint special personnel to assume responsibility over the work. Because we did not implement this principle, we suffered with every step we made."<sup>10</sup>

In implementing the "principle of individual gains," the most important thing is to implement the principle of distribution according to work. Distribution according to work directly combines common collective gains with individual gains. It takes the labor rendered by every member to society as the yardstick for distribution, which also means that it takes men's contributions, big or small, to society as the basis for distribution. Only after every man has first carried out labor for the collective gains of society can he receive a corresponding portion of consumer goods after all the deductions made by society. The portion which every man renders to society is larger than the portion which he receives from society. We must realize the socialist relations of material gains in which collective gains come before individual gains and in which collective gains are placed above and are larger than and yet include individual gains. The concrete forms which distribution according to work realizes, such as time rate wage, piece rate wage, the system of workpoints and the system of material rewards, are the concrete forms manifesting the integration of collective gains with individual gains. How we implement in a better manner the principle of distribution according to work is how we handle in a better manner the integration of collective gains with individual gains, and how we implement in a better manner the question on "the principle of individual gains." Only when we conscientiously and concretely implement the principle of more pay for more work, less pay for less work and no pay for no work, when we have a strict system of individual responsibility and system of reward and punishment, and when we can combine the fruits of every man's labor directly with his individual material gains, can we more efficiently encourage the advanced, spur the backward on, and promote in a better manner the development in production, and promote the development of common collective gains. Otherwise, we will do what the "gang of four" did during the period when they were running rampant, and it will make no difference whether or not we work, whether we do a lot or a little and whether we do our work well or poorly. Then we will directly weaken and injure the individual gains of the laborers and particularly weaken the individual material gains for those laborers who carry out labor honestly and who strive to render more contributions to society. Consequently, those people who are opportunistic and who do not carry out labor properly but who even injure the collective gains will profit at others' expense; while those people who carry out labor enthusiastically and who go all out for the enhancement of the collective gains for society will suffer. This will undermine the relations of socialist distribution, will inevitably dampen the enthusiasm for labor of the broad masses, will be unfavorable to the development of social production and the entire socialist cause, and will thereby harm the socialist common collective gains.

The material gains which an individual obtains from distribution according to work, however much, is definitely not a capitalist factor. Because a laborer renders more and better labor and creates greater material wealth for society, he thereby receives greater rewards for his labor which he can use to improve his own material living. This is precisely the embodiment of the socialist production relations and is precisely the gains which socialism gives to the laborers. What in this should we reproach and oppose? To refer to this as capitalism and to criticize it is in fact to reverse socialism into capitalism, and is to negate and criticize socialism.

In the administration and management of a socialist enterprise, we also need to apply properly the principle of material gains. The quality of the administration and management of an enterprise, the fulfillment of such quota as product variety, quantity and quality and the consumption of raw materials, and the amount of profit made are all direct expressions of the condition of labor and work of the enterprise's staffers and workers. If we disregard the different conditions of administration and management and economic results of different enterprises, and treat them all in the same manner without reward or punishment, without economic responsibilities and without distinction in the material gains among the enterprises, then we will have violated the socialist principle of material gains. We are therefore permitting and encouraging the backward and mistreating and suppressing the advanced. Consequently, we cannot employ material gains to encourage and supervise the enterprise's staffers and workers to work hard together in order to continuously improve enterprise administration and management and actively fulfill and overfulfill the various plans. Without the principle of material gains for the enterprise, we cannot correctly handle the relations of economic gains among the state, the enterprise and the individual producer. We will injure society's collective gains as well as injure the individual gains of the enterprise's staffers and workers. To solve this problem, we should bestow certain economic power of decision upon the enterprise so as to bring the initiative and enthusiasm of the enterprise into play. The first step is to permit the enterprise to draw, after the all-round fulfillment of its plan, proportionately from the profits an enterprise fund which can be used to enhance the welfare of the enterprise's staffers and workers. This is a material encouragement to the enterprise. On the other hand, we must also implement economic supervision and sanction. To those enterprises that carry out administration and management poorly, that do not have a strong sense of responsibility and that do not work hard, thus failing to fulfill the plans and bringing about losses, not only will they not receive enterprise funds, but they will have to shoulder economic responsibilities too. The enterprise management personnel and the staffers and workers should shoulder a portion of the economic losses which they themselves bring about. The principle of material gains for the enterprise is closely integrated with the principle of material gains for the individual. If we say that the principle of material gains for the individual aims at directly linking the material gains of every individual laborer with his condition of labor, then the principle of material gains for the enterprise aims at linking the material gains of the staffers and workers of every enterprise with the condition of labor and condition of administration and management of the entire enterprise. The integration of these two aspects is favorable to improving the administration and management of the enterprise.



In other aspects of the socialist production relations, the questions of the integration of collective gains with individual gains and of the implementation of the principle of material gains also exist. For instance, in the relations of co-commodities exchange, we must observe the principle of equal value and must guarantee the quality of a commodity's use value. This involves many aspects of the relations of material gains that are related to commodities exchange. Let us take as example the relations of commodities exchange between the state-run industrial and commercial departments and the peasants. If the prices for the means of production in support of agriculture are high and their quality poor, or if the prices of procurement of agricultural products are too low, then that will injure the collective economic gains and individual material gains of the peasants, will be unfavorable to the development of agricultural production and will affect the development of industry and of the entire national economy. The implementation of the principle of equal value in commodities exchange similarly embodies the relations of material gains among the state, the productive unit and the individual, and is related to the immediate gains of hundreds of millions of people. To respect the demands of the law of value and to do a good job of commodities exchange are of important significance to enhancing the development in production and the improvement of the material living of the masses of people as well as to regulating and developing the socialist production relations.

To implement the party's economic policies in the countryside is essentially to protect and enhance the economic gains of the masses of peasants and to oppose any harm against their legitimate rights. This means that it is also necessary to persevere in the socialist principle of material gains in the rural economic work. Only in this way can we consolidate and develop the rural socialist relations and promote the development of the agricultural productive forces.

To correctly handle the relations of material gains under the socialist system and to implement the principle of material gains are definitely not the same as to engage in revisionism and to take the capitalist road. On the contrary—this is to engage in Marxism and to take the socialist road. Only this is favorable to enhancing the development of the productive forces and the raising of labor productivity, and favorable to the realization of the four modernizations in our country and the building of our country into a great and powerful socialist country. Thus, this is the bridge which we must cross in order to guarantee the victory for socialism. Lenin once pointed out: "Labor productivity is in the final analysis, the most important and major thing that guarantees the victory of the new social system."<sup>11</sup> This is because a new and higher labor productivity is an expression of the progress of social history and is the material condition that guarantees the economic gains of the new ruling class. If the socialist system cannot over an extended period of time push ahead the productive forces, cannot ultimately create a higher labor productivity than that of capitalism, and cannot bring more material gains to the laboring people, then where does the socialist system manifest its superiority? How will socialism ultimately triumph over capitalism?

In short, only when we understand the integration of collective gains with individual gains by raising it to the level of socialist production relations, when we regard the principle of material gains that reflects such a relationship as an important socialist principle and when we relate it to the victory or defeat of socialism itself can we distinguish between correct and incorrect theory and correct and incorrect line and understand its important significance.

### III

The "gang of four" and their instruments of public opinion forbade people to talk about the relations of material gains and the principle of material gains. Clubs and hats would descend on whoever mentioned it. He or she would be accused of not wanting class struggle, not wanting politics and not wanting revolution. However, are material gains and class struggle, politics and revolution really mutually exclusive?

In fact, every class struggle takes as its basis certain conflicts in economic gains. The struggle in which the exploited class resists the exploiting class is, in the final analysis, an attempt to shake off the economic exploitation which it is suffering from and attain the economic liberation for its own class. Just as Engels put it: "Any struggle for emancipation, though it inevitably embraces a political form (because all class struggles are political struggles), is in the final analysis launched around an economic [all caps] emancipation."<sup>12</sup> Similarly, the political rule and suppression which the exploiting class exercises on the exploited class is, in the final analysis, launched around the protection and enhancement of the vested economic gains of the exploiting class. The source and development of the two main classes--the proletariat and the bourgeoisie and the class contradiction and class struggle which exist between them are based on purely economic reasons. Thus, Marxism holds that the relations of economic gains are the decisive factors while the state, its political system and legal system are really subordinating factors. They simply serve the economic gains of the ruling class and serve to protect and advance the economic gains of the ruling class. This is so in a capitalist society, and it is so in a socialist society.

The "gang of four" and their instruments of public opinion distorted and reversed the relationship between politics and economics, and tampered with the basic Marxist principle regarding this question. They regarded politics as a factor that determines economics. They distorted "politics ranks first" and "putting politics in command" to mean politics determines everything, politics batters everything and politics is everything. They even used it as an excuse to oppose doing socialist economic work well, oppose showing concern for the material welfare of the masses of workers and peasants and oppose implementing the principle of material gains. This set of the "gang of four" is totally anti-Marxist and anti-socialist.

Marxism holds that economics is the basis of politics and that politics is the concentrated expression of politics. In handling the relationship

between economics and politics, we must put politics in first place. However, the reason why politics has to occupy first place when compared to economics is precisely because a certain politics expresses in a concentrated manner the economic gains and economic demands of a certain class. If the proletariat does not first of all look at and solve a problem politically, then it will be difficult to guarantee and realize the economic gains and demands of the proletariat. Thus, Marxism opposes the method of confining the proletarian struggle within the realm of economic struggle. Lenin pointed out: "In the principle that economic gains play a decisive role, we must definitely not come to the conclusion that an economic struggle... is of paramount significance. This is because, generally speaking, the most important class gains that 'have a decisive role' can only be satisfied through a fundamental political reform."<sup>13</sup>

After seizing political power and eliminating the system of capitalist exploitation, in order to protect and develop the economic gains which it has attained and to protect and develop the socialist economy, the proletariat must first of all consolidate and strengthen the political rule of the proletariat, which is the dictatorship of the proletariat, and implement a Marxist political line. If an anti-Marxist line and policy appear, distorting and tampering with the nature and tasks of the dictatorship of the proletariat, then great harm will be brought upon the socialist economy and upon the economic gains of the proletariat and other laboring people. The damages which the revisionist line of the "gang of four" wrought on our country are the proofs.

From here we can see that, when we say proletarian politics must occupy first place and proletarian politics must be put in command, we not only do not exclude the economic gains of the proletariat, but rather we must guarantee to the highest extent possible the realization of our own economic gains. The politics of the proletariat, including its political system, line and all policies, is determined by and serves the economic gains of its own class. Lenin said: "Our country's domestic and foreign policies are in the final analysis determined by the economic gains and economic position of our country's ruling class. This principle is the basis of the entire world outlook of a Marxist."<sup>14</sup> The politics of the proletariat is only the means by which to realize the economic gains of the proletariat and other laboring people. If, having the reputation, proletarian politics does not serve the economic gains of the proletariat and the broad laboring masses and does not realize the economic gains which they demand, but injure their gains, then the nature of proletarian politics will be lost and the end will be total defeat.

In putting politics in command in socialist economic work, we must implement the party's line and general and specific policies. In particular, we must implement the various economic policies of the party and handle properly the relations of material gains among the state, the collective and the individual. We must guarantee that the economic work advance along the socialist road in accordance with the demands of the objective economic laws and guarantee that the socialist economic cause will continue to develop. If the economic work violates the socialist economic laws, violates the economic gains of the proletariat and the other laboring people and

undermines the relations of material gains among the state, the collective and the individual, then, under such circumstances, putting politics in command can only be an empty slogan and cannot play the role it is supposed to play. The situation was precisely like this during the period when Lin Biao and the "gang of four" were running rampant.

The "gang of four" and their instruments of public opinion cried aloud "revolution" and dressed themselves up as the most revolutionary saints. But what is the purpose of revolution? In their eyes, revolution was everything and was purpose itself. If one wanted revolution, one could not talk about material gains, particularly about the individual material gains of the laborers. Did not Mencius forbid the mention of "gains"? "Why should we talk of gains, when we have righteousness." The "gang of four" also would not permit the talk of "gains." For them, there was only "revolution." But the "gang of four" only forbade others to talk of gains and forbade others to talk of the gains of the masses of people and the individual gains of the laborers. As for themselves, they desperately pursued selfish gains and pursued an extravagant bourgeois decadent life. And all this was done under the cloak of "revolution."

Any true revolution is linked with material gains. On the one hand, it wants to win and emancipate the economic gains of the revolutionary class that are being harmed and suppressed. On the other hand, revolution is a development to emancipate and enhance the productive forces. This will mean creating greater material wealth and attaining more material gains. This is so for the proletariat too when it launches a revolution. It not only aims at eliminating the economic exploitation of the landlord and bourgeois classes against the laborers, but also wants to promote the development of the productive forces in a big way and realize the purpose of socialist production. We do not carry out revolution and construction and go in for socialism because we want the broad masses of people to lead a poor life of asceticism. On the contrary, only socialism can "enable all the laborers to lead the most ideal and the happiest life...Socialism should realize this point, and all the difficulties and all the strengths of Marxism are geared toward the understanding of this truth."<sup>15</sup>

Of course, an ideal and rich life must be attained through diligent labor. We need to undergo a process of arduous struggle and need to continuously rid ourselves of the sabotages and interferences of the class enemies and the erroneous line. Thus, when we talk about the socialist relations of material gains and the principle of material gains, we not only do not rule out or weaken the effort to grasp revolution, grasp class struggle and grasp putting politics in command, but rather, we precisely insist on taking as our prerequisites the efforts to continue the revolution and to put proletarian politics in command.

#### FOOTNOTES

1. "Capital," Vol 1; "Collected Works of Marx and Engels," Vol 23, p 208.
2. "On the Question of Housing," "Selected Works of Marx and Engels," Vol 2, p 537.



3. "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 322, 42.
4. See "Draft of the Programme of the R.S.D.W.P.," "Collected Works of Lenin," Vol 6, p 11.
5. See "The Socialist Economic Problem of the U.S.S.R.," People's Publishing House, 1961, pp 30, 59.
6. "(The first article) Debate at the 6th Rhineland Conference," "Collected Works of Marx and Engels," Vol 1, p 82.
7. "Introductory Note to 'A Serious Lesson,'" "Selected Works of Mao Zedong," Vol 5, p 244.
8. "The 4th Anniversary of the October Revolution," "Collected Works of Lenin," Vol 33, p 39.
9. "The 4th Anniversary of the October Revolution," "Collected Works of Lenin," Vol 33, p 39.
10. "The New Economic Policy and the Task of the Political Education Bureau," "Collected Works of Lenin," Vol 33, p 51.
11. "A Great Exploit," "Selected Works of Lenin," Vol 4, p 16.
12. Engels, "Ludwig Feuerbach and the End of Classic German Philosophy." "Selected Works of Marx and Engels," Vol 4, p 247.
13. "What Is To Be Done?" "Collected Works of Lenin," Vol 5, p 359.
14. "Report on the Policy at the All-Russia Central Executive Committee and the Moscow Soviets Joint Conference," "Collected Works of Lenin," Vol 27, p 339.
15. "Speech at the 1st Representative Conference of the National Economic Council," "Selected Works of Lenin," Vol 3, p 571.

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